

MT LEGISLATIVE HISTORY

Chapter 567 1983

Bill H _____ S 249

Original bill & hist. ☒ C

H. Committee on Business & Industry

S. Committee on Business & Industry

Hearing Date(s) Mar 03 ☒ C

Hearing Date(s) Jan 28 ☒ C

Mar 04 ☒ C

Jan 31 ☒ C

Mar 11 ☒ C

_____ ☐ C

Mar 16 ☒ C

_____ ☐ C

Mar 21 ☒ C

Date Out Mar 16 ☒ C

Jan 31 ☒ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

REFERRED TO COMMITTEE ON TAXATION: 03/01/83

HEARING: 7/7/83

REPORT: 03/15/83, BE CONCURRED IN

REREFERRED TO COMMITTEE ON APPROPRIATIONS: 03/18/83

HEARING: 4/7/83

REFERRED TO 2ND READING - MOTION FROM FLOOR

2ND READING: 04/12/83, BE CONCURRED IN AYES: 66; NAYS: 38

3RD READING: 04/14/83, BE CONCURRED IN AYES: 75; NAYS: 14

RETURNED TO SENATE: 4/14/83

TRANSMITTED TO GOVERNOR: 04/20/83

SIGNED: 04/21/83, CHAPTER 605

SB 248 -- TOWE, ADDY -- TO GENERALLY REVISE THE LAWS RELATING TO A CLAIM OF MENTAL DISEASE OR DEFECT IN CRIMINAL PROCEEDINGS

INTRODUCED: 01/21/83

REFERRED TO COMMITTEE ON JUDICIARY: 01/21/83

HEARING: 1/31/83

REPORT: 02/08/83, DO PASS, AS AMENDED

2ND READING: 02/11/83, AS AMENDED AYES: 48; NAYS: 2

3RD READING: 02/14/83 AYES: 48; NAYS: 1

TRANSMITTED TO HOUSE: 2/14/83

REFERRED TO COMMITTEE ON JUDICIARY: 03/01/83

HEARING: 3/21/83

REPORT: 03/21/83, BE CONCURRED IN

2ND READING: 03/22/83, BE CONCURRED IN AYES: 72; NAYS: 3

3RD READING: 03/23/83, BE CONCURRED IN AYES: 85; NAYS: 8

RETURNED TO SENATE: 3/23/83

TRANSMITTED TO GOVERNOR: 03/30/83

SIGNED: 04/04/83, CHAPTER 352

SB 249 -- TOWE, FABREGA -- GENERALLY REVISING USURY LIMITS; ... AND PROVIDING AN EFFECTIVE DATE.

INTRODUCED: 01/21/83

REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 01/21/83

HEARING: 1/28/83

REPORT: 02/01/83, DO NOT PASS. REPORT ADOPTED.

ON MOTION 02/02/83, RECONSIDER ACTION OF PREVIOUS DAY AND HAVE BILL PRINTED AND PLACED ON SECOND READING. MOTION PASSED: AYES: 47; NAYS: 2

2ND READING: 02/05/83, AS AMENDED AYES: 47; NAYS: 0

3RD READING: 02/08/83 AYES: 50; NAYS: 0

TRANSMITTED TO HOUSE: 2/8/83

REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 02/09/83

HEARING: 3/3/83

REPORT: 03/21/83, BE CONCURRED IN, AS AMENDED

2ND READING: 03/22/83, BE CONCURRED IN AYES: 69; NAYS: 3

3RD READING: 03/23/83, BE CONCURRED IN AYES: 91; NAYS: 4

RETURNED TO SENATE WITH AMENDMENTS: 3/24/83

2ND READING: 04/06/83 AYES: 49; NAYS: 1

3RD READING: 04/07/83 AYES: 46; NAYS: 4

TRANSMITTED TO GOVERNOR: 04/14/83
SIGNED: 4/19/83, CHAPTER 567

SB 250 -- GOODOVER, FABREGA, LEE, ET AL. -- TO GENERALLY REVISE THE LAWS RELATING TO
THE BOARD OF HOUSING....
BY REQUEST OF: THE BOARD OF HOUSING

INTRODUCED: 01/21/83
REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 01/21/83
HEARING: 2/11/83
REPORT: 02/11/83, DO PASS
2ND READING: 2/14/83 AYES: 50; NAYS: 0
3RD READING: 2/16/83 AYES: 50; NAYS: 0

TRANSMITTED TO HOUSE: 2/16/83
REFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 03/01/83
REREFERRED TO COMMITTEE ON TAXATION: 03/03/83
REREFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 03/05/83
HEARING: 3/22/83
REPORT: 03/22/83, BE CONCURRED IN
2ND READING: 03/22/83, BE CONCURRED IN AYES: 76; NAYS: 1
3RD READING: 03/23/83, BE CONCURRED IN AYES: 92; NAYS: 2

RETURNED TO SENATE: 3/23/83

TRANSMITTED TO GOVERNOR: 03/30/83
SIGNED: 04/04/83, CHAPTER 359

SB 251 -- GOODOVER, LEE, GAGE, ET AL. -- AUTHORIZING THE BOARD OF INVESTMENTS TO
ENTER A COMMITMENT AGREEMENT WITH THE BOARD OF HOUSING FOR THE PURCHASE OF MORTGAGE
LOANS FINANCED BY THE BOARD OF HOUSING
BY REQUEST OF: THE BOARD OF HOUSING

INTRODUCED: 01/21/83
REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 01/21/83
HEARING: 2/11/83
REPORT: 2/15/83, DO PASS
2ND READING: 02/17/83 AYES: 50; NAYS: 0
3RD READING: 02/21/83 AYES: 50; NAYS: 0

TRANSMITTED TO HOUSE: 02/21/83
REFERRED TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT: 03/01/83
REREFERRED TO COMMITTEE ON BUSINESS & INDUSTRY: 03/03/83
HEARING: 3/22/83
REPORT: 03/22/83, BE CONCURRED IN
2ND READING: 03/22/83, BE CONCURRED IN AYES: 78; NAYS: 2
3RD READING: 03/23/83, BE CONCURRED IN AYES: 93; NAYS: 2

RETURNED TO SENATE: 3/23/83

TRANSMITTED TO GOVERNOR: 03/30/83
SIGNED: 04/04/83, CHAPTER 360

SB 252 -- GOODOVER, FABREGA -- PROVIDING FOR AN INVESTMENT CREDIT AGAINST THE
INDIVIDUAL INCOME TAX AND THE CORPORATE LICENSE TAX;... AND PROVIDING AN APPLICABILITY

SENATE BILL NO. 249

INTRODUCED BY TOWE, FABREGA

IN THE SENATE

January 21, 1983	Introduced and referred to Committee on Business and Industry.
February 1, 1983	Committee recommend bill do not pass. Report adopted. Ayes, 42; Noes, 4.
February 2, 1983	On motion Senate reconsider its action taken on February 1, 1983; and ordered printed and placed on second reading. Motion adopted.
February 3, 1983	Bill printed and placed on members' desks.
February 5, 1983	Second reading, do pass as amended.
February 7, 1983	Correctly engrossed.
February 8, 1983	Third reading, passed. Ayes, 50; Noes, 0. Transmitted to House.

IN THE HOUSE

February 9, 1983	Introduced and referred to Committee on Business and Industry.
March 21, 1983	Committee recommend bill be concurred in as amended. Report adopted.
March 22, 1983	Second reading, concurred in.
March 23, 1983	Third reading, concurred in.

IN THE SENATE

March 24, 1983

Returned to Senate.

April 6, 1983

Second reading, amendments
concurred in.

April 7, 1983

Third reading, amendments
concurred in. Ayes, 46;
Noes, 4.

Sent to enrolling.

Reported correctly enrolled.

1 *Senate* BILL NO. *249*
 2 INTRODUCED BY *Mr. Fudge*
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING
 5 USURY LIMITS; ALLOWING THE DEPARTMENT OF COMMERCE TO ADJUST
 6 RATES UPWARD DUE TO RAISES IN THE PRIME INTEREST RATE;
 7 AMENDING SECTIONS 31-1-107, 31-1-241, 31-1-243, 31-1-501,
 8 32-1-436, AND 32-3-601, MCA; AND PROVIDING AN EFFECTIVE
 9 DATE."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 12 Section 1. Section 31-1-107, MCA, is amended to read:
 13 "31-1-107. (Revived July 1, 1983) Interest rate
 14 allowed by agreement. (1) ~~On amounts up to \$150,000, parties~~
 15 ~~Parties~~ may agree in writing for the payment of any rate of
 16 interest not more than ~~10%~~ 20% per annum ~~or more than 4~~
 17 ~~percentage points in excess of the discount rate on 90-day~~
 18 ~~commercial paper in effect at the federal reserve bank in~~
 19 ~~the ninth federal reserve district, whichever is greater,~~
 20 and such interest shall be allowed according to the terms of
 21 the agreement.

22 ~~(2) On amounts exceeding \$150,000 and up to \$300,000,~~
 23 ~~parties may agree in writing for the payment of any rate of~~
 24 ~~interest not more than 10% per annum or more than 5~~
 25 ~~percentage points in excess of the discount rate on 90-day~~

1 ~~commercial paper in effect at the federal reserve bank in~~
 2 ~~the ninth federal reserve district, whichever is greater,~~
 3 ~~and such interest shall be allowed according to the terms of~~
 4 ~~the agreement.~~

5 ~~(3) On amounts exceeding \$300,000, parties may agree~~
 6 ~~in writing to the payment of any rate of interest without~~
 7 ~~limitation, and such interest shall be allowed according to~~
 8 ~~the terms of the agreement.~~

9 (2) The department of commerce may adjust the
 10 percentage rate in subsection (1) to reflect an amount not
 11 more than 2 percentage points above the prevailing prime
 12 rate of interest used by banks throughout the United States,
 13 but may not lower the amount below 20% per annum. The
 14 department may make this adjustment only once every 120
 15 days. The department shall adjust the rate by rule.

16 (3) A loan that is not usurious when made is lawful
 17 for the duration of the loan, provided the loan agreement is
 18 not substantially changed. This subsection does not apply to
 19 loan renewals."

20 Section 2. Section 31-1-241, MCA, is amended to read:
 21 "31-1-241. (Effective July 1, 1983) Finance charge
 22 limitation. (1) Notwithstanding the provisions of any other
 23 law, the finance charge included in a retail installment
 24 contract shall not exceed the rate set pursuant to 31-1-107,
 25 following schedule:

1 ~~{a}--as-to-motor-vehicles~~
 2 ~~{i}--class-1-any-new-motor-vehicle-designated-by-the~~
 3 ~~manufacturer-by-a-year-model-not-earlier-than-the-year-in~~
 4 ~~which-the-sale-is-made-\$7-per-\$100-per-year~~
 5 ~~{ii}--class-2-any-new-motor-vehicle-not-in-class-1-and~~
 6 ~~any-used-motor-vehicle-designated-by-the-manufacturer-by-a~~
 7 ~~year-model-of-the-same-or-not-more-than-2-years-prior-to-the~~
 8 ~~year-in-which-the-sale-is-made-\$9-per-\$100-per-year~~
 9 ~~{iii}--class-3-any-used-motor-vehicle-not-in-class-2~~
 10 ~~and-designated-by-the-manufacturer-by-a-year-model-more-than~~
 11 ~~2-years-prior-to-the-year-in-which-the-sale-is-made-\$11-per~~
 12 ~~\$100-per-year~~
 13 ~~{b}--as-to-any-industrial-or-construction-equipment~~
 14 ~~primarily-designed-for-or-used-in-construction logging~~
 15 ~~mining-or-other-industrial-business-the-price-of-which-is~~
 16 ~~over-\$5,000-\$9-per-\$100-per-year. This subsection shall not~~
 17 ~~apply-to-agricultural-equipments~~
 18 ~~{c}--as-to-any-manufactured-structure-or-recreational~~
 19 ~~vehicle-\$9-per-\$100-per-year~~
 20 ~~{d}--as-to-services-and-goods-other-than-as-provided~~
 21 ~~under-subsections-(i){a},-(i){b}, and-(i){c}-above~~
 22 ~~{i}--on-so-much-of-the-principal-balance-as-does-not~~
 23 ~~exceed-\$300-\$11-per-\$100-per-year~~
 24 ~~{ii}-if-the-principal-balance-exceeds-\$300-but-is-less~~
 25 ~~than-\$1,000-\$9-per-\$100-per-year-on-that-portion-over-\$300~~

1 ~~{iii}-if-the-principal-balance-exceeds-\$1,000-\$7-per~~
 2 ~~\$100-per-year-on-that-portion-over-\$1,000~~
 3 (2) Such finance charge shall be computed on the
 4 principal balance as determined under 31-1-231(5) on
 5 contracts payable in successive monthly payments
 6 substantially equal in amount from the date of the contract
 7 until the maturity of the final installment, notwithstanding
 8 that the total time balance thereof is required to be paid
 9 in installments. A minimum finance charge of \$20 may be
 10 charged on any retail installment contract.
 11 (3) When a retail installment contract provides for
 12 payment other than in equal successive monthly installments,
 13 the finance charge may be a rate which will provide the same
 14 yield as is permitted on monthly payment contracts under
 15 subsections (1) and (2) hereof, having due regard for the
 16 schedule of payments in the contract.
 17 (4) Notwithstanding the provisions of any other law, a
 18 retail charge account agreement may provide for and the
 19 seller or holder may charge, collect, and receive a finance
 20 charge as specified herein for the privilege of paying in
 21 installments thereunder. The finance charge may be computed
 22 from month to month (which need not be a calendar month) or
 23 other regular billing cycle period by applying a rate not to
 24 exceed ~~1-1/2%~~ for each such monthly period to an amount (not
 25 including any unpaid finance charge) the rate set pursuant

1 to 31-1-107 and by using the ending balance of the account
2 as of the last day of the billing cycle less the amount of
3 purchases charged to the account during that billing cycle.

4 (a) A seller may change the terms of a revolving
5 charge account whether or not the change is authorized by
6 prior agreement. The seller shall give the buyer written
7 notice of any change in the two billing cycles prior to the
8 effective date of the change.

9 (b) If the retail seller increases his finance charge
10 on a retail charge account agreement within the permitted
11 ceiling amount, then such increased rate may only be applied
12 to the balance consisting of purchases on other charges
13 incurred on or after the effective date of the increase.

14 (c) For purposes of determining the balance to which
15 the increased rate applies, all payments may be considered
16 to be applied to the balance existing prior to the change in
17 rate until that balance is paid in full.

18 (5) If the finance charge so determined pursuant to
19 (4) above for such monthly period is less than 50 cents, a
20 maximum finance charge not in excess of 50 cents may be
21 charged, received, and collected for such period."

22 Section 3. Section 31-1-243, MCA, is amended to read:
23 "31-1-243. (Revived, July 1, 1983) Refinancing retail
24 installment contract. The holder of a contract, upon request
25 by the buyer, may extend the scheduled due date of all or

1 any part of any installment or installments or defer payment
2 or payments or renew or restate the unpaid time balance of
3 such contract, the amount of the installments, and the time
4 schedule therefor and may collect for such extension,
5 deferment, renewal, or restatement a refinance charge. The
6 holder may compute the refinance charge on the unpaid time
7 balance to be extended, deferred, renewed, or restated by
8 adding to such unpaid time balance the cost for any
9 insurance and other benefits incidental to the refinancing
10 plus any accrued delinquency and collection charges, after
11 deducting any refund which may be due the buyer as for a
12 prepayment pursuant to 31-1-242 at the rate of the finance
13 charge specified in 31-1-241(1) ~~and by reclassifying in the~~
14 ~~case of motor vehicles by its then year model for the term~~
15 ~~of the refinancing agreement but otherwise subject to the~~
16 ~~provisions of this part governing computation of the~~
17 ~~original finance charge.~~ The provisions of this part
18 relating to minimum finance charges under 31-1-241(2) shall
19 not apply in calculating refinance charges on the contract
20 extended, deferred, renewed, or restated. If all unpaid
21 installments are deferred for not more than 2 months, the
22 holder may at his election charge and collect for such
23 deferment an amount equal to the difference between the
24 refund required for prepayment in full under 31-1-242 as of
25 the scheduled due date of the first deferred installment and

the refund required for prepayment in full as of 1 month prior to said date, times the number of months in which no scheduled payment is made."

Section 4. Section 31-1-501, MCA, is amended to read:

"31-1-501. Late payment charges -- accounts receivable for merchandise sold at retail. (1) ~~Notwithstanding 31-1-106 or 31-1-107--~~ A person who sells goods, as defined in 31-1-202, at retail to a retail buyer who promises to pay for such goods upon presentation of the bill therefor, may charge and collect a late payment charge not greater than ~~1-1/2%--per--month~~ the rate set pursuant to 31-1-107 on all money due on all accounts from 30 days after the date on which the obligation of the buyer to pay is incurred.

(2) The late payment charge provided in this section may be charged only if at the time the obligation was incurred the seller did not intend to extend any credit beyond 30 days and any late payment of the obligation was unintended.

(3) The provisions of this section do not apply to money due for intangible services, for services regulated by the public service commission, for real property, for health care services, or for retail installment sales contracts or retail charge account agreements regulated under Title 31, chapter 1, part 2."

Section 5. Section 32-1-436, MCA, is amended to read:

"32-1-436. (Suspended until July 1, 1983) Interest not to exceed lawful rate. (1) No bank or savings and loan association shall demand or receive for loans or discounts a rate of interest exceeding that allowed by law, excepting that it shall be lawful for any bank to receive interest in advance according to the ordinary usages of banking institutions.

~~(2) On loans to be repaid in one or more deferred installments, other than loans for purchase of real estate, a bank or savings and loan association may charge not to exceed the following schedules:~~

~~(a) on so much of the principal balance as does not exceed \$300, \$11 per \$100 per year;~~

~~(b) if the principal balance exceeds \$300 but is less than \$1,000, \$9 per \$100 per year on that portion over \$300;~~

~~(c) if the principal balance exceeds \$1,000, \$7 per \$100 per year on that portion over \$1,000.~~

~~(3)(2)~~ Such charges shall be computed on the principal balance on contracts payable in successive monthly payments substantially equal in amount from the date of the contract until the maturity of the final installment, notwithstanding that the total balance thereof is required to be paid in installments.

~~(4)(3)~~ A minimum charge of \$20 may be made with respect to any installment loan made by a bank or savings

1 and loan association.

2 ~~(5)(4)~~ When an installment loan contract provides for
3 payment other than in equal successive monthly installments,
4 the charge may be at a rate which will provide the same
5 yield as is permitted monthly payment contracts, having due
6 regard for the schedule of payments in the contract."

7 Section 6. Section 32-3-601, MCA, is amended to read:

8 "32-3-601. (Revived July 1, 1983) Loans -- purposes,
9 terms, and interest rate. A credit union may loan to members
10 for such purpose and upon such security and terms as the
11 credit committee, credit manager, or loan officer approves
12 at rates of interest not exceeding ~~1-1/4 per month on the~~
13 ~~unpaid monthly balances the rate set pursuant to 31-1-107.~~"

14 NEW SECTION. Section 7. Severability. If a part of
15 this act is invalid, all valid parts that are severable from
16 the invalid part remain in effect. If a part of this act is
17 invalid in one or more of its applications, the part remains
18 in effect in all valid applications that are severable from
19 the invalid applications.

20 NEW SECTION. Section 8. Effective date. This act is
21 effective July 1, 1983.

-End-

48th

LEGISLATIVE SESSION

COMMITTEE ON BUSINESS AND INDUSTRY

<u>SENATE</u> BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
SB 151	1-14-83	1-21-83	1-21-83	1-21-83					
SB 156	1-14-83	1-24-83	1-24-83	1-24-83					
SB 174	1-17-83	1-28-83	1-28-83			1-28-83			
SB 184	1-18-83	2-2-83	2-2-83			2-2-83			
SB 206	1-19-83	2-9-83	2-9-83			2-9-83			
SB 207	1-19-83	2-9-83	2-9-83			2-9-83			
SB 221	1-19-83	2-7-83 2-9-83	2-9-83			2-9-83			
SB 223	1-19-83	2-16-83 2-18-83	2-18-83			2-18-83			
SB 228	1-19-83			T A B L E D					
SB 229	1-20-83	2-2-83 2-9-83	2-9-83		2-9-83				
SB 249	1-21-83	1-28-83 1-31-83	1-31-83		1-31-83				
SB 250	1-21-83	2-11-83	2-11-83	2-11-83					
SB 251	1-21-83	2-11-83 2-15-83	2-15-83	2-15-83					
SB 261	1-22-83	2-4-83 2-10-83	2-10-83	S E N T T O		J U D I C I A R Y			
SB 285	1-25-83	2-2-83	2-2-83			2-2-83			
SB 292	1-26-83	2-4-83	2-4-83	2-4-83					

Use a separate sheet for Senate, House Bills, and Resolutions.

January 28, 1983

The meeting of the Business and Industry Committee was called to order by Chairman Allen Kolstad on January 28, 1983, at 10:30 a.m., in Room 404, State Capitol.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF SENATE BILL 174: Senator Matt Himsl, sponsor of the bill, stated this bill was by request of the Board of Investments. This bill would remove the restriction that issuers of commercial paper available for state investments would have to have a ratio of 1 1/2 to 1 of assets to current liabilities including current liabilities on any long term debt. He handed the committee a proposed amendment which would strike the word "prime" and insert the words "the highest". This amendment is attached to the minutes. (Exhibit No. 1) Senator Himsl's testimony is attached to the minutes. (Exhibit No. 2)

PROPOSERS TO SENATE BILL 174: Senator Roger Elliott, co-sponsor of the bill, stated the language in the present law has the wording including long-term debt. They need to set up one full year of payments into the long-term debt. That is not a very good measuring tool when you are looking for liquidity of commercial paper or the ability to repay. He considered an amendment excluding the current portion of long-term debt. However, the Rating Bureau does take into consideration the liquidity and we are limiting the Board to the highest rating for the State by investing in that type of short term debt.

Rod Young, Board of Investments, stated the parent companies do not do the financing. They have set up separate companies for that purpose. They do not have any commercial paper. Besides providing higher yield they can buy commercial paper to mature at a certain date. All others, they have to buy as they are offered on the market. They are limited to 10% on any one account. They estimate they can perhaps put \$30 million into commercial paper.

There were no further proponents and no opponents.

ACTION ON SENATE BILL 156: Senator Goodover stated he had asked Staff Attorney Greg Petesch to draw up a committee bill to Senate Bill 156. Senator Goodover made a motion that we withdraw the request for a committee bill to Senate Bill 156.

CONSIDERATION OF SENATE BILL 249: Senator Tom Towe, sponsor of the bill, stated this bill addresses a question of usury. He gave the committee his proposed amendments which he would like inserted into the bill. These amendments are attached to the minutes. (Exhibit No. 3). He did want to make it clear that this bill does not in any way affect regulated lenders or does not affect retail installment sales. Regulated lenders are not the only people who lend money, occasionally you and I loan money. If you borrow money from a bank at 14% and turn around and let your friend borrow it, you cannot loan it to him for higher than 11 1/2% under the

current law. You have to take a loss. When interest rates were at 20% the highest you could charge was 15%. At the present time the bank is at 14% but the highest you can charge is 11 1/2%. You can't afford to put out that money and get less than the bank. If you are going to release the banks from the usury limits then we have to address the private lenders. In this bill he proposed that we move the interest rate to 20%. What happens when the prime rate goes back up to 20%? He has suggested that the Department of Commerce may adjust the percentage to a higher percent. Maybe we should say the published prime rate. The Department of Commerce may make this change only once every 120 days.

Representative Jay Fabrega, co-sponsor of Senate Bill 249, stated if these amendments were not in the bill he would have to oppose it. He feels there is a need for this bill.

George Bennett, Attorney, stated the amendments that Senator Towe suggested takes care of the problems that the bankers had. He feels there is still a problem with the bill. If you recall, these interest rates in the 1981 session, the amendments to them were given a two-year life. He thinks what he is doing by Section 1 is amending a suspended section in Representative Fabrega's bill. Instead of going to the codes they went to the session laws and amended the effective date of the session law instead of the code. You may want to either amend the permanent section or do something to your bill.

Senator Towe stated to his recollection one section was temporary and one was revived July 1, 1983. Staff Attorney Petesch stated the proposed amendment is a coordinated section to go with House Bill 64.

John Cadby, Montana Bankers Association, stated he supported the bill. This is really an economic capital bill which provides for risky loans. By passage of this bill you are actually helping the economic development of Montana.

QUESTIONS FROM THE COMMITTEE:

Senator Christiaens stated I think there is a need to identify the prime rate in that different banks get their prime rates from different places. Senator Towe stated we could insert "the 9th Federal Reserve District".

Senator Goodover stated say you borrow \$20,000 at 14% and you put it out to your friend at 20% and 120 days later it dropped 4%, wouldn't you then refinance your loan? Senator Towe stated he thinks the Department of Commerce would adjust the rate. He wants to make sure that loan does not go at less than prime rate.

ACTION ON HOUSE BILL 63:

Senator Regan stated she would like to amend the bill because if they are going to charge 18% let it be 18%. The 18% figured on the adjusted month-end balance if you translated it figures to

23%. Senator Regan moved that the Committee strike lines 11 through 16, page 2. Senator Gage seconded the motion.

Senator Goodover stated he has copies of statements and all other states except for Montana do it this way. For Montana residents the finance charge is averaged. It is his understanding that this creates a real problem. Senator Regan stated the bigger stores and such have massive computers. We are not changing anything. All she wants to do is change the language and call it 18% provided they tell you the interest rate is charged at 23%.

Senator Christiaens spoke against the motion. If you go out and borrow your money at 20% and charge the customer 18% or 1 1/2% on the unpaid balance, at the end of the billing cycle you are losing the interest earned on that.

On Roll Call Vote, Senator Regan's motion failed by a vote of 5-3. This Roll Call Vote is attached to the minutes.

Senator Goodover made the motion that House Bill 63 Be Concurred In. Senator Lee seconded the motion. The Committee voted 7-1 that HOUSE BILL 63 BE CONCURRED IN.

ACTION ON SENATE BILL 174: Senator Fuller made the motion that the proposed amendment to Senate Bill 174 Be Adopted. Senator Christiaens seconded the motion. The committee voted unanimously, by voice vote, that the proposed amendments to SENATE BILL 174 BE ADOPTED.

Senator Goodover made a motion that Senate Bill 174 As Amended Do Pass. Senator Lee seconded the motion. The Committee voted unanimously, by voice vote, that SENATE BILL 174 AS AMENDED DO PASS.

ACTION ON SENATE BILL 84: Senator Lee asked that we pass Senate Bill 84 for the day. Senator Kolstad suggested that a subcommittee be formed to work with the House Subcommittee to come to a solution to this problem. Senator Severson thought this was reasonable so this could be settled. Senator Kolstad appointed Senator Goodover, Senator Lee, and Senator Regan to work on this as a committee of three.

ACTION ON SENATE BILL 249: Senator Regan asked that this bill be held until Monday for Executive Action. Senator Christiaens would like an amendment regarding the 9th Federal District. Staff Attorney Petesch will go ahead and take care of this amendment.

ACTION ON SENATE BILL 62: Staff Attorney Petesch explained the proposed amendments to the committee. The committee reinserted "for a member of the family". Mr. Tippy's proposal would strike subsection 4 from line 4 on page 8 through line 12 on page 5 in its entirety. What you are doing here is changing the law entirely in regard to these people. Many of these breweries set up an arrangement with a distributor whereby he will distribute their beer. You may have to grandfather some people in or you will be cutting them out now. There are no quotas on the distributorship

Proposed Amendment to SB 249

1. Title, line 5.

Following: "LIMITS"

Insert: "FOR PRIVATE PARTIES"

2. Title, line 7.

Following: "AMENDING"

Strike: "SECTIONS"

Insert: "SECTION"

Following: "31-1-107,"

Strike: remainder of line 7 through "32-3-601," on line 8

3. Page 2, line 20.

Following: line 19

Strike: sections 2 through 6 in their entirety

ReNUMBER: subsequent sections

4. Page 9, line 20.

Following: line 19

Insert: "Section 3. Coordination instruction. If HB 64 is passed and approved, including section 1 which removes the termination provision of chapter 275, L. 1981, a subsection (4) shall be added to [Section 1] of this bill which will read "(4) The provisions of this section do not apply to regulated lenders as defined in 31-1-111.""

ReNUMBER: subsequent section.

ROLL CALL

BUSINESS AND INDUSTRY COMMITTEE

48th LEGISLATIVE SESSION -- 1983

DATE 1-28-83

[illegible]

DATE _____

COMMITTEE ON BUSINESS & INDUSTRY

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Sergeant)

NAME: JOHN CRADY DATE: 1-28-73

ADDRESS: 706 HARRISON

PHONE: 443-4121 - 443-3536

REPRESENTING WHOM? MT BANKERS ASSN

APPEARING ON WHICH PROPOSAL: SB 249

DO YOU: SUPPORT? _____ AMEND? ✓ OPPOSE? _____

COMMENTS: SUPPORT AMENDMENT to
SEC. 31-1-107 MCA, ONLY - DELETE
BALANCE OF BILL AS THEY CONFLICT
WITH HB 63 & 64, ALREADY PASSED.
AS AMENDED - SUPPORT

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: GEORGE BENNETT DATE: 1/28/83

ADDRESS: P.O. Box 1725 Helena 59629

PHONE: 442-8950

REPRESENTING WHOM? Mont. Bar Assn

APPEARING ON WHICH PROPOSAL: SB 249

DO YOU: SUPPORT? X AMEND? X OPPOSE?

COMMENTS: There are conflicts with H. B. 63
and H. B. 64

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 31, 1983

The Business and Industry Committee met in Executive Session on January 31, 1983, at 10:30 a.m. The meeting was called to order by Chairman Allen Kolstad in Room 404, State Capitol.

ACTION ON SENATE BILL 62: Senator Kolstad informed the Committee that on Friday, January 28, 1983, we adopted the proposed amendments to Senate Bill 62. However, he asked that Mr. Hefflefinger respond to the amendments.

Mr. Hefflefinger pointed out that when the prohibition on family members were introduced in the bill, these originated with Senator Turnage as the sponsor of the bill. As to the amendments from the Department, you have taken action on that and they are satisfied with them. Mr. Tippy, on behalf of the Wholesalers Association, has requested that subsection 4 be deleted from the bill. They still maintain that the clear intent of the law is to preclude a brewery from having a financial interest in a wholesaler in the State of Montana. It prohibits wholesalers and retailers having financial interest for the same type of reasons. As for family ownership between wholesalerships they have a neutral position on that. They would have a serious problem of deleting section 4 from this bill.

Roger Tippy stated he put his position forth in the letter that was distributed to the committee members. The amendment leaves existing law where it is. They did not know it would cause problems, however, he would like to dispute it with them.

Senator Regan asked Mike Garrity, Attorney, to talk about the legal ramifications. Mr. Garrity stated that subsection 4 is the amendment introduced by the Department and does not change Montana law. It is basically the same test that was applied to wholesaler applicants in the past. If the Committee would look at the first lines on page 3, that was struck in the proposed amendments and wholesalers were dealt with in subsection 4. If subsection 4 is deleted you have no criteria for a wholesaler.

Senator Kolstad asked Mr. Tippy if he agreed with that statement. Mr. Tippy stated no. Other sections of the code do provide the information on an interest in a retailer and do set forth other requirements.

Senator Regan asked them to go to another room and come to a compromise. Mr. Garrity stated they had already discussed these amendments privately. It seems that the other provisions of the code are not favorable. As Mr. Turnage has indicated, they have problems with subsection 4 in that it addresses affiliation. He has problems with that language. As an attorney he thinks there could have been some better terminology. That was existing language and the Department did not wish to change that language.

Senator Regan asked if that language would be sufficient. Mr. Tippy stated no he wanted the amendments.

Senator Gage asked Mr. Hefflefinger in considering licensing now under subsection 4 do you now consider a person who is a felon or his business ability or that kind of thing? Mr. Hefflefinger stated yes, absolutely. Every potential applicant is screened.

Senator Gage asked do you feel you need guidelines? Mr. Hefflefinger stated yes.

Senator Regan made the motion that Senate Bill 62 As Amended Do Pass. Mr. Petesch, Staff Attorney, stated the committee might wish to insert language that neither the applicant nor any member of his immediate family has any interest. This would make it consistent with the rest of the bill.

Senator Regan withdrew her motion.

Senator Regan made a motion that the amendments suggested by Staff Attorney Petesch Be Adopted.

Senator Turnage stated first it is inappropriate to take away an individuals right because he is related to someone.

Senator Regan asked isn't that language now already in the bill presently? Mr. Garrity stated that immediate family is construed by the Department to be husband, wife or minor children or unemancipated children.

Senator Goodover asked what does that do to a child who is left a license because of death? Mr. Garrity stated in that case a minor child could not take a license but an estate could. They would need to appoint a trustee.

Mr. Tippy stated the problem he has outlined was not with (i), the big problem was with (ii) which deals with financing by a brewery or wholesaler. He is afraid that if you send this language down as the Department requested you are telling the people that the ladies place is in the home. He feels to take out (ii) would be the largest single improvement in the bill.

Senator Turnage stated he doesn't think it matters.

Senator Goodover made a substitute motion that the Committee amend the bill further by deleting subsection 4 (ii) and renumbering the remaining sections. Senator Lee seconded the motion. The Committee voted 7-2, by voice vote, Senators Regan and Fuller voting no, that the Committee delete subsection 4 (ii) in its entirety.

Senator Lee made the motion that Senate Bill 62 As Amended, Do Pass. Senator Severson seconded the motion. The Committee voted 8-1, by Roll Call Vote, with the exception of Senator Dover who was not present at the time the vote was taken, that SENATE BILL 62 AS AMENDED DO PASS. This Roll Call Vote is attached to the minutes.

ACTION ON SENATE BILL 249: Mr. Petesch, Staff Attorney, stated Senate Bill 249 also requires a Statement of Intent. (Exhibit No. 2)

He handed the Committee proposed amendments to Senate Bill 249. (Exhibit No. 3) As amended this bill would apply only to private parties not regulated lenders or retail sales. All that would be left in the bill is section 1 and on page 3, line 12, U. S. District would be changed to the 9th Federal Reserve District.

Senator Regan stated she did not know why they are raising it to 20%.

Senator Turnage stated he thinks this bill should be killed. It only applies now to section 1 and it has no application to regulated lenders or retail sales. The people that are going to be involved in section 1 will be those that are not going to be regulated by a governing institution. This is an individual on the street loaning to another individual on the street. He feels the interest rate is too high. He doesn't see any great requests coming from the citizens to pass this kind of law. There would be private lenders who would like it.

Senator Christiaens asked how was this affecting the private individual when we were looking at prime rate at 20%. Senator Turnage stated he had no statistics on that. Lending to banks is now around 8% and they have allowed them to use 12%. Senator Turnage stated he has seen where elderly widows thought they needed money. Usually the banks will discourage it because they want to mortgage their home. He knows there will be people who will lend that kind of money and take the mortgage on the widows home. This bill is just not necessary.

Senator Boylan made a motion that Senate Bill 249 Do Not Pass. Senator Gage seconded the motion. The Committee voted unanimously, by voice vote, with the exception of Senator Dover, who was not present at the time the vote was taken, that SENATE BILL 249 DO NOT PASS.

ACTION ON SENATE BILL 103: Senator Goodover made the motion that Senate Bill 103 Do Not Pass. Senator Fuller seconded the motion.

Senator Lee made a substitute motion that Senate Bill 103 Do Pass. Senator Boylan seconded the motion.

Senator Gage stated the membership fee is required only on the initial policy. It is not required on renewals.

Senator Lee stated if this requirement is just a one-time membership fee this bill would not affect them.

Senator Gage stated only in that they could change their policy.

Senator Fuller stated he opposed the bill. He attempted to get out of Montana Farmers Union and Montana Farm Bureau why they wanted a membership fee. If they are in the business of selling insurance they should sell insurance. He is not saying that they are acting in bad faith but feels this bill should not pass.

Statement of Intent

SB 249

A statement of intent is required for this bill because it gives the department of commerce the authority to adjust usury limits upward by rules. The legislature intends that when the prevailing prime interest rate used by banks throughout the Ninth Federal Reserve District as determined by the department after a survey is greater than 20%, the department may increase the rate upward to a level not more than 2% above the prime rate. The legislature intends that the department exercise discretion in making this adjustment and do so only when it determines that the increase of prime will continue long enough to warrant the increase.

Proposed Amendment to SB 249

1. Title, line 5.

Following: "LIMITS"

Insert: "FOR PRIVATE PARTIES"

2. Title, line 7.

Following: "AMENDING"

Strike: "SECTIONS"

Insert: "SECTION"

Following: "31-1-107,"

Strike: remainder of line 7 through "32-3-601," on line 8

3. Page 2, line 12.

Following: "throughout the"

Strike: "United States"

Insert: "Ninth Federal Reserve District"

4. Page 2, line 20.

Following: line 19

Strike: sections 2 through 6 in their entirety

Re-number: subsequent sections

5. Page 9, line 20.

Following: line 19

Insert: "Section 3. Coordination instruction. If HB 64 is passed and approved, including section 1 which removes the termination provision of chapter 275, L. 1981, a subsection (4) shall be added to [Section 1] of this bill which will read "(4) The provisions of this section do not apply to regulated lenders as defined in 31-1-111.""

Re-number: subsequent section.

STANDING COMMITTEE REPORT

January 31 1983

President
MR.

We, your committee on BUSINESS AND INDUSTRY

having had under consideration (TURNAGE) SENATE Bill No. 249

Respectfully report as follows: That SENATE Bill No. 249

~~XXXXXX~~
~~DO PASS~~ DO NOT PASS

A.C.

STATUS SHEET

BUSINESS & INDUSTRY COMMITTEE

48 Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
SB 53	ELIMINATING THE OFFICIAL SEAL ON LIQUOR PACKAGES PROHIBITING ANY OPEN CONTAINERS IN LIQ. STORES	1-17	GALT	2-14	BE CONCURRED	2-14
SB 250	REVISING THE LAWS RELATING TO THE BOARD OF HOUSING	3-7	GOODOVER	3-22	BE CONCURRED	3-22
SB 249	REVISING USURY LIMITS; ALLOWING DEPT. OF COMM. TO ADJUST RATES TO PREVAILING INTEREST RATES.	2-9	TOWE	3-3	BE CONCURRED RECONSIDERED 3-11 BE CONCURRED (A)	3-4 3-16
SB 133	TO ELIMINATE SPECIAL PENALTY FOR VIOLATIONS OF PLUMBING LAWS BY A FINE NOT TO EXCEED \$500	2-5	LYNCH	3-4	BE CONCURRED	3-4
SB 62	LICENSING CRITERIA LIMITING OWNERSHIP OF MONTANA RETAIL ALCOHOLIC BEV. LICENSES	2-5	TURNAGE	3-2	BE CONCURRED (A)	3-2
SB 103	TO CLARIFY THAT A MUTUAL INSURER OF ASSOCIATIONS MAY REFUSE TO RENEW IF THE INSURED WITHDRAWS	2-6	OCHSNER	3-1	BE NOT CONCURRED	3-1

HOUSE BUSINESS & INDUSTRY COMMITTEE

Rep. Jerry Metcalf, Chairman, called the Business & Industry Committee to order on March 3, 1983, in Room 420 of the Capitol Building, Helena, Montana, at 9:00 a.m.

SENATE BILL 249

SEN. TOWE, District 34, sponsor, opened by saying this bill comes from a problem we created because of usuary laws in Montana. In 1975 the usuary limit was set at 3% above the federal discount rate. It was a floating rate to realistically recognize that 10% usuary rate was probably low. That was fine until interest rates went to 21% and the federal discount rate was 12%. We came back and said regulated lenders shall have no usuary rate. This year we passed a law making that permanent. What about everybody else? We are back at 3% above the discount rate. The typical bank rate is usually above the 3% usuary rate. There should be an upper limit on usuary to protect the public from loan sharks. We suggest we go back to 10% with a floater which would correct the problem of the 1975 bill. Instead of using the federal discount rate, we use the average prevailing interest rate used by the State of Montana but not lower than 10% as determined by the Department of Commerce. Every 120 days they will publish the rate. I also have a proposed Statement of Intent. (Exhibit #1)

PROPOSERS:

GEORGE ALLEN, Montana Retail Association: We originally opposed this bill but with the amendments, we will support it.

OPPOSERS:

LES ALKE, Commissioner of Financial Institutions, Department of Commerce: My concern is that there may be an administrative nightmare involved here in determining the average interest rate of regulated lenders. The rulemaking procedure is quite time consuming. I agree that this bill should be amended but I hoped it could have a more certain and less controversial means of adjusting - like being pegged to the national rate.

SEN. TOWE, in closing, said he did not care what method was chosen to correct the problem. A suggestion would be 2% above the recognized prime throughout the United States.

QUESTIONS:

REP. FAGG: Why put the 10% floor on it? Sen. Towe: It's always been the case in Montana and the Senate liked it.

REP. ELLISON: Is it necessary to adjust it three times a year? Sen. Towe: My concern was that it not fluctuate too often.

REP. HARPER: What purpose does the 10% serve? Sen. Towe:

People assume there is a bottom floor, but we don't need it.
REP. HARPER: It seems the department would have to go through rulemaking every time they proposed a different rate. Could we get them out of that and just mandate they post it somewhere or state it in the register? Sen. Towe: That's a good idea. One rule should be adopted for procedure for determining the rate and then the rule may be amended without a full rule making procedure. Mr. Alke: That would be much better.
REP. HARPER: If we give them the authority to set it, we would not need a Statement of Intent.
REP. JENSEN: I think we should peg this to prime. 4% above prime would be good. Sen. Towe: If you peg it to prime you must remember that the federal discount rate does not fluctuate as often and it doesn't necessarily reflect the federal discount rate. Prime moves every day. I think the Department of Commerce should determine what the prime was for a particular day.

SENATE BILL 11

SEN. ED SMITH, District #1, sponsor, opened by saying this bill is at the request of Farm Mutual Insurance Companies who came up with a resolution that they be allowed to sell farm liability insurance. Presently, they can only sell fire insurance. They want to set up a stock corporation and sell farm liability insurance. The bill has been amended.

PROPONENTS:

TERRY MEAGHER, Chief Examiner, Montana Insurance Department: We are in support of SB 11. There are about 12 county farm mutuals. They can only sell to themselves. There are two state farm mutuals who can sell across the state but only to farmers and ranchers. They cannot sell to the general public. These mutuals were formed when times were tough and their insurance is very limited. They came to the department and asked for our help which resulted in this bill.

NORMA SEIFFERT, Chief Deputy, Montana Insurance Department: The Commissioner sends his support of this bill and so do I.

SEN. SMITH, in closing, said this will give the farm mutuals an opportunity to be in a more competitive position.

QUESTIONS:

REP. METCALF: Would someone from this committee like to carry this bill on the floor if it passes? Rep. Schultz: I will.

EXECUTIVE SESSION:

SENATE BILL 11

REP. ELLISON: I move Senate Bill 11 BE CONCURRED IN.
QUESTION: Motion carried unanimously.

SENATE BILL 249

REP. FAGG: I think this should be tied to the prime rate and the 10% floor taken out.

REP. METCALF: Sen. Towe had some concerns about it being tied to prime.

REP. SCHULTZ: Tie it to prime and make the plus factor variable.

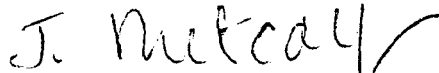
REP. HARPER: Put the lid of 20% back on it.

REP. SCHULTZ: Some place up in the high prime, it should just go to prime.

REP. HARPER: I have some suggested amendments that would put it 4% above prime and put a 20% lid on it.

REP. METCALF: We will have Paul Verdon work out Rep. Harper's amendments and report back to committee tomorrow.

The hearing adjourned at 10:00 a.m.



REP. JERRY METCALF, CHAIRMAN

Linda Palmer, Secretary

STATEMENT OF INTENT RE: SB 249

Section 1. A statement of intent is required for SB 249 because of the rule making authority granted in section 1 (2).

Section 2. It is the intent of the legislature that the department of Commerce determine the average prevailing rate of interest used by regulated lenders in Montana by contacting a sample number of regulated lenders representative of large urban areas and rural areas throughout the state. The department shall ascertain the highest rate of interest normally charged by such lenders and average the rates so ascertained from each sample lender to determine the adjusted maximum rate of interest to be promulgated by rule under section 1 (2).

Section 3. The department of Commerce may not promulgate a rule adjusting the maximum interest rate as provided by this act any more often than once every 120 days. If there has been no substantial change in the average rate, the department may delay an adjustment beyond 120 days.

Bus. & Ind

COMMITTEE

SB 249

DATE 5-5

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE BUSINESS & INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 4, 1983, in Room 420 of the Capitol Building, Helena, Montana, at 9:00 a.m.

SENATE BILL 133

SEN. LYNCH, District 44, sponsor, opened by saying this is a simple bill up-dating the penalties and violations for the Board of Plumbers. The penalties have not been stiff enough to affect punishment. The county attorneys all say it is not worth going to court with. I have made a copy of the penalties imposed on other boards in the state and you will see they are more in line with the provisions in this bill. (Exhibit #1) We have eliminated the jail sentence and made the fine not to exceed \$500.

PROPOSERS:

MITCH MIHAILOVICH, lobbyist, State Building & Construction Trades Council: This bill only pertains to people in the trade. We ask that you support this bill.

OPPOSERS: none

SEN. LYNCH, in closing, said this bill up-dates the law and makes it conform to other laws in the state regarding penalties.

SENATE JOINT RESOLUTION 9

SEN. MOHAR, District 11, sponsor, opened by saying this is a simple bill that directs the Department of Administration to add a member of the home building industry to the Montana Building Code Advisory Council. (Exhibit #2) There is a very good reason to do this. The Northwest Power Act that was passed is going to mandate that we change the building codes for higher conservation standards. It is very important that the conventional home building industry be represented. The builder that is on the Council is a commercial contractor for state buildings and large commercial buildings. He is not a home builder.

W. JAMES KEMBEL, Building Codes Division, Department of Administration: The Department welcomes the addition of a representative of the conventional home building industry to the Montana Building Codes Advisory Council. The Council advises the Department on code adoptions, operational procedures and other related code enforcement activities. (Exhibit #3)

JOHN HOLLOW, Montana Home Builder's Association: When you decide how much insulation to put in a building, the person who knows what the costs in time are is the home builder. Right now, the residential level construction person is not represented. The fiscal impact will be minimal because the council will be active for possibly 6 months or a year and then meet only once a year.

SENATE JOINT RESOLUTION 9

REP. HARPER: I move the bill and I don't think we need to amend the bill to "request" as the department requested the change.

QUESTION: The motion that SJR 9 BE CONCURRED IN passed with Rep. Fagg voting no.

Rep. Harper will carry the bill to the floor.

SENATE BILL 249

Paul Verdon: I talked with Les Alke about the proposed amendments. He did not think 4 percentage points were sufficient. Many banks are charging 3 or 4 points and perhaps this should be 6.

REP. FABREGA: What prime rate are we talking about? Paul: The most recent amount the New York banks charge.

REP. METCALF: Often their rates vary slightly but within a few days they come together. Since we are only adjusting this three times a year, I don't think there will be a problem. They could wait a few days until things are uniform.

REP. FABREGA: Four points seems pretty tight. We could probably consider about 6 points.

REP. KADAS: On page 1, we have that 20% ceiling and I don't see the sense in it.

REP. FABREGA: The 20% was in because this was not going to be a floater, then the idea that it be a floating rate changed this.

REP. METCALF: What if the interest rate goes up to 20%?

REP. FABREGA: We are talking about loans between individuals. This does not apply to retail merchants or regulated lenders.

REP. ELLISON: If we are going to take the 20% limit off, it might be advisable to narrow the spread after 20%. Rep. Fabrega: Prime hit 17% and first class risks were paying 23%. It's a world market.

REP. KADAS: I move we strike "up to a maximum of 20% per annum."

REP. HARPER: Perhaps we should leave "per annum" in. Rep. Metcalf: The prime rate is an annual rate so there should not be a problem.

Rep. Fabrega: You could say on line 12, page 2 "the department of commerce shall adjust the "annual" percentage rate."

REP. KADAS: I amend my motion to that effect.

QUESTION: Motion carried unanimously.

REP. KITSELMAN: I move the proposed amendments as amended.

QUESTION: Motion carried unanimously.

REP. FABREGA: On line 5 of the title, after usury limits, insert "for private parties."

REP. HARPER: I move the amendment.

QUESTION: Motion carried unanimously.

Paul Verdon: If we put private parties in the title, we should put it in the body of the bill.

REP. SCHULTZ: I move we insert "private" on line 15, page 1 and also in the catch line.

QUESTION: Motion carried unanimously.

REP. FABREGA: I move SENATE BILL 249 BE CONCURRED IN AS AMENDED.

QUESTION: Motion carried unanimously.

REP. HARPER: I move the Statement of Intent be amended to read that we want them to use the prime rate of interest most recently adopted by the bank and that they can establish by rule the procedure and decide how they are going to post it.

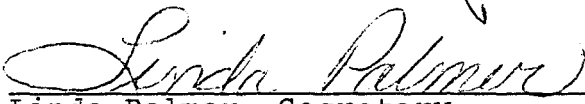
QUESTION: Motion carried unanimously.

Rep. Fabrega volunteered to carry this bill to the floor.

The hearing adjourned at 10:00 a.m.



REP. JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 11, 1983, in Room 420 of the Capitol Building, Helena, Montana, at 9:00 a.m. All members were present.

SENATE BILL 382

SEN. STIMATZ, District 43, sponsor, opened by saying by law if anyone is a member of a group health insurance plan and his employment is terminated, the insurance company must offer him the option to convert with no medical requirement. What has been happening is people make the conversion and then their premiums go steadily up. One individual's policy went from \$55.10 to \$302.50 per month. Another lady's went from \$29.15 to \$115.40. They pose a greater risk for the company but by increasing their premiums the company shucks the people off the roles. Some of these people have carried this insurance for many years. The costs should be spread over all the people being covered. The bill limits to 150% of the former group rate the premium that may be charged for an individual policy when a person converts from a group plan. They must be given at least a 45 day prior notice of any rate increase and the premium rate for an individual policy may not be increased during the first six months of coverage after conversion.

PROPOSERS: none

OPPOSERS:

ALAN CAIN, Montana Physician's Service: The problem this bill addresses has become major because of the large number of people unemployed recently. This does not apply to commercial insurance companies which provide 50% of the health coverage in the state of Montana. This would be addressed to Blue Cross and Blue Shield. Adverse selection is the problem. Any time you get into a situation where you don't get a spread of risks you lose money. All companies have to offer conversion policies without evidence of good health. Because the young and healthy people don't take the policy, we get left with those with health problems. We lost \$1 million last year on the conversion plan. We charge about 50% of what we actually pay out on the plan. If you begin to limit the amount that is charged, you are forcing the other people who carry insurance to subsidize the unhealthy ones. Commercial insurance companies should be faced with the same problems. There is a problem administering this. I have an amendment that Sen. Stimatz has agreed to. (Exhibit #1) With this we would not have such a wide variety of rates in the plan. We would not have as much opposition to this bill if this amendment is adopted.

TOM HARRISON, Blue Cross: During the last three years of unemployment, Blue Cross has lost almost all of its reserves. There are administrative problems with this bill that will cost money. The amendment takes much of the administrative nightmare out of the bill by eliminating as many as 2,400 separate groups and pinning that 150% cap to one group. The medical costs in Montana are so high and we don't have any ability to control

PROPOSERS:

NORMA SEIFFERT, Chief Deputy, Montana Insurance Department:
We have thoroughly inspected the bill and the amendments and
feel it is entirely acceptable.

OPPOSERS: none

QUESTIONS:

REP. SCHULTZ: If it's only \$9,500, how are you going to get
more jobs out of it? Rep. Metcalf: Right now \$400,000 is
invested in a Minnesota firm and it would be invested in
Montana. Your fiscal note will explain it.

REP. METCALF: Who will carry this bill to the House?
Rep. Fabrega volunteered.

EXECUTIVE SESSION

SENATE BILL 325

REP. FABREGA: I move SENATE BILL 325 BE CONCURRED IN.
QUESTION: The motion carried unanimously.

SENATE BILL 382

REP. PAVLOVICH: I move the amendment.
QUESTION: Motion carried unanimously.
REP. ELLISON: I move SENATE BILL 382 BE CONCURRED IN AS
AMENDED.
QUESTION: Motion carried unanimously.

SENATE BILL 403

REP. SCHULTZ: I am against a flat fee because I think the
ones that cause the most problems should pay the most.
REP. HANSEN: I am on the Board of Sanitation. We tried
to figure out some kind of individual inspection fee. I
think we will probably come back with a bill that will be
so much for restaurants and so much for campgrounds.
Missoula's cost \$65 and they need the increase.
REP. METCALF: There is not a fee in this state that is
based on actual costs.
REP. ELLISON: I move the amendments.
QUESTION: Motion carried unanimously.
REP. FAGG: I move SENATE BILL 403 BE CONCURRED IN AS AMENDED.
QUESTION: The motion carried with Rep. Schultz voting no.

SENATE BILL 392

REP. FABREGA: I move SENATE BILL 392 BE CONCURRED IN.
QUESTION: Motion carried with Rep. Schultz & Ellison voting no.

SENATE BILL 249

REP. FABREGA: It bothers me that the Dept. of Commerce should publish a standard rate when they don't have a publication that accurately reflects it. . I would be much more comfortable saying New York prime. Everyone can read the Wall Street Journal. These are not regulated lenders...this is any private party.

Mr. Alke, Dept. of Commerce: They would be interested in the Federal Treasury rate, not the prime rate in New York. The Wall Street publishes every day the all-money rate.

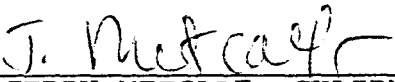
REP. FABREGA: I move we reconsider our action on SB 249 because I don't think the Department should be bothered with these things. We can take the department out of it altogether.

QUESTION: The motion carried unanimously.

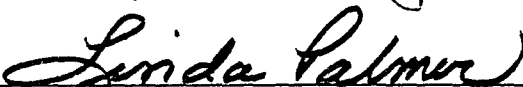
REP. METCALF: Who will enforce this? Mr. Alke: The department doesn't enforce private parties.

REP. METCALF: Paul Verdon and Rep. Fabrega will work out the amendments for the committee's consideration.

The hearing adjourned at 10:00 a.m.



REP. JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

HOUSE BUSINESS & INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 16, 1983, in Room 420 of the Capitol Building, Helena, Montana at 9:00 a.m. All members were present except Reps. Fagg, and Howe.

SENATE BILL 84

SEN. HAZELBAKER, District 41, sponsor, opened by saying he was speaking on behalf of 26 electric co-ops and 15 telephone co-ops who serve a total of over 300,000 persons. The question is, who is responsible? This bill says the person owning the structure would be responsible for the costs of cutting or moving the wires. Many people object saying the utilities can afford to absorb these costs. A compromise was struck where the costs would be split equally by the co-op, telephone, or cable company and the person owning the structure. As a result of this compromise, the bill passed the Senate 46-3.

PROPOSERS:

SEN. PAT REGAN, District 31: I am most responsible for this so-called compromise bill. It says the cost of moving wire would be determined by the PSC and the REA's agreed to follow these guidelines. All parties agreed and then the house movers bailed out. This is a reasonable approach. It was amended on the floor to say if the structure was built with the purpose of moving it to another spot (prefab), which has happened at Colstrip, they will pay the cost of moving the lines.

ROD HANSEN, MONTANA RURAL ELECTRIC CO-OPS: This is not the same bill we introduced - it is a compromise, and we have agreed to abide by the compromise. The house movers have argued for a 26' height. The drawing I distributed shows you that a 35' pole would not give you 26' clearance. If you go to a 40' pole and they add a telephone or cable line, you still have problems. A 45' pole gets wind damage and power outages which affect many people. They are a hazard to crop dusters also. (Exhibit #1)

TERRY MURPHY, Montana Farmer's Union: A majority of our members are rural electric users and they adopted a policy that says: "The people moving high loads should pay the costs to get under the wires." The compromise that we will support is the split between the movers and the utilities.

JEANNE RANKIN, Montana Farm Bureau: The parties moving the structure should pay the costs.

GENE PHILLIPS, Pacific Power & Light, Montana Dakota Utilities and Montana Power: We support this bill.

REP. TOM ASAY: I support this bill.

says the legislature feels the people in that area are willing to pay higher rates so they can keep the industry in business. Is this the critical factor that will keep them in business? I don't want to make this decision to the detriment of rate payers. Sen. Elliott: If it doesn't keep them in business, we haven't lost anything. If they go out, the rates will go up anyway.

REP. KADAS: The reason they pay more than utilities is because they made a 20 year contract. Rep. Jensen: That was the past, we have to look to the future. Rep. Kadas: Two years ago?

REP. HARPER: How many DSI's are there? Sen. Elliott: Eight in the whole region. Most are in Washington. Two are in Montana. Rep. Harper: Are all of these going down? Sen. Elliott: Kaiser is closed in Spokane. Rep. Harper: We are trying to save Columbia Falls. If one closed down, then there would be more surplus power and the rates should go down. Don't give these people at BPA an excuse to raise rates. There is a surplus.

REP. KITSELMAN: I move to strike the amendment.

QUESTION: The motion failed by a tie vote. (Roll Call Vote Attached)

REP. KADAS: I move SENATE JOINT RESOLUTION 17 BE CONCURRED IN AS AMENDED.

QUESTION: The motion carried 10-6. (Roll Call Attached.)

SENATE BILL 249

REP. FABREGA: I move to amend the amendment. We need to say the parties will agree in writing that 6 percentage points per annum will be the rate.

QUESTION: The motion carried unanimously.

REP. FABREGA: I move the amendment.

QUESTION: The motion carried unanimously.

REP. FABREGA: I move SENATE BILL 249 BE CONCURRED IN AS AMENDED.

QUESTION: The motion carried unanimously.

Rep. Fabrega will carry the bill to the House floor.

SENATE BILL 221

REP. KADAS: I move SENATE BILL 221 BE CONCURRED IN.

QUESTION: The motion carried unanimously.

Rep. Kadas will carry the bill to the House floor.

SENATE BILL 269

REP. KADAS: I move SENATE BILL 269 BE CONCURRED IN.

QUESTION: The motion carried unanimously.

Rep. Kadas will carry the bill to the House floor.

SB 249

MARCH 14

83

19

1. Title, line 5

Following: "LIMITS;"

Strike: the remainder of line 5, line 6 in its entirety, and line 7 through "LENDERS;"

Insert: "ESTABLISHING THE MAXIMUM INTEREST RATE AT 6 PERCENTAGE POINTS ABOVE THE NEW YORK PRIME RATE;"

2. Page 1, line 16

Strike: "10%"

Insert: ~~XXXX~~ "6 percentage points"

3. Page 1, line 19

Following: "greater"

Insert: "above the prime rate of major New York banks as published in the Wall Street Journal edition dated three business days prior to the execution of the agreement."

4. Page 2, line 9

Strike: lines 9 through 16 in their entirety

Renumber: subsequent subsection

AND AS AMENDED
BE CONCURRED IN

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 21, 1983, in Room 420 of the Capitol Building, Helena, Montana at 10:00 a.m. All members were present except Rep. Fabrega, Fagg and Kitselman who were excused.

SENATE BILL 174

Sen. Himsl, District 9, sponsor, opened by saying SB 174 would remove the restriction that issuers of commercial paper for state investments would have to have a ratio of 1 1/2 to 1 of assets to current liabilities including current liabilities of any long term debt. (Exhibit #1)

PROPONENTS:

ROD YOUNG, Board of Investments: Since the statutes were written, there have been alot of changes in the financial markets. Alot of corporations have set up credit corporations instead of issuing commercial paper directly - they have set up parent corporations for more leverage. We had no problem with the 1 to 1 1/2 ratio. In the parent corporation they maintain a ratio of 1 to 1. We have, therefore, been excluded from buying any commercial paper because of this. We're not looking to put alot of money into commercial paper but this would add flexibility in the short term funds because often it does yield more than other methods. At the maximum out of the \$1 1/2 billion that we manage, we would have at the peak \$20 million in commercial paper.

SEN. HIMSL, in closing, said commercial paper was something that alot of investors purchased until the CD Program came in. Now they go to short term CD's because six months looks good with the economy's fluctuations. This may be used or not used - it just gives an option.

QUESTIONS:

REP. SCHULTZ: If you cut out the current ratio of 1 to 1 1/2 how far down the line do you go? Mr. Young: It would have to be better than 1 to 1. We would buy only 1A - nothing lower than the highest rated paper.

REP. WALLIN: Do you have any guarantee from the parent company of GMAC or Ford? What guarantee do you have that the factory has high credit? Mr. Young: Ford does guarantee a payment of the interest. They guarantee at 1.15 or higher. In all of these corporations, the commercial paper is backed by retail auto loans and some wholesale. GM has invested several hundred million in their credit corporation. The credit of the borrower and the auto are used as collateral. We do not own any commercial paper at the moment.

REP. METCALF: Because of the ratio? Mr. Young: Because of the 1 to 1. Most corporations of good standing maintain a 2 to 1 ratio.

REP. SCHULTZ: There are several money market funds on the market today. Would you go to another fund or go directly to

EXECUTIVE SESSION

SENATE BILL 125

REP. SCHULTZ: I move SENATE BILL 125 BE CONCURRED IN.
QUESTION: The motion carried unanimously.

SENATE BILL 174

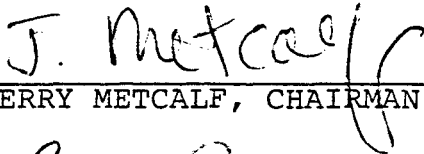
REP. LYBECK: I move SENATE BILL 174 BE CONCURRED IN.
QUESTION: The motion carried unanimously.

Rep. Schultz will carry this bill to the House floor.

SENATE BILL 249

REP. BACHINI: I move we remove the Statement of Intent
from Senate Bill 249.
QUESTION: The motion carried unanimously.

The hearing adjourned at 10:30 a.m.



REP. JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

SENATE BILL NO. 249

INTRODUCED BY TOWE, FABREGA

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING USURY LIMITS; ALLOWING THE DEPARTMENT OF COMMERCE TO ADJUST RATES UPWARD DUE TO RAISES IN THE PRIME PREVAILING INTEREST RATE USED BY REGULATED LENDERS; ESTABLISHING THE MAXIMUM INTEREST RATE AT 6 PERCENTAGE POINTS ABOVE THE NEW YORK PRIME RATE; AMENDING SECTIONS SECTION 31-1-107, 31-1-241, 31-1-243, 31-1-501, 32-1-436, AND 32-3-601, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 31-1-107, MCA, is amended to read:

"31-1-107. (Revived July 1, 1983) Interest rate allowed by agreement. (1) ~~On amounts up to \$150,000, parties~~ Parties may agree in writing for the payment of any rate of interest not more than ~~10% 20% 10% 6 PERCENTAGE POINTS~~ per annum or more than ~~4 percentage points in excess of the discount rate on 90-day commercial paper in effect at the federal reserve bank in the ninth federal reserve district, whichever is greater~~ ABOVE THE PRIME RATE OF MAJOR NEW YORK BANKS AS PUBLISHED IN THE WALL STREET JOURNAL EDITION DATED 3 BUSINESS DAYS PRIOR TO THE EXECUTION OF THE AGREEMENT, and such interest shall be allowed according to the terms of the

agreement.

(2) ~~On amounts exceeding \$150,000 and up to \$300,000, parties may agree in writing for the payment of any rate of interest not more than 10% per annum or more than 5 percentage points in excess of the discount rate on 90-day commercial paper in effect at the federal reserve bank in the ninth federal reserve district, whichever is greater, and such interest shall be allowed according to the terms of the agreement.~~

(3) ~~On amounts exceeding \$300,000, parties may agree in writing for the payment of any rate of interest without limitation, and such interest shall be allowed according to the terms of the agreement.~~

(4) ~~The department of commerce may adjust the percentage rate in subsection (1) to reflect an amount not more than 2 percentage points above the AVERAGE prevailing prime rate of interest used by banks REGULATED LENDERS throughout the United States STATE OF MONTANA, but may not lower the amount below 20% 10% per annum; the department may make this adjustment only once every 120 days; the department shall adjust the rate by rules.~~

(5) (2) A loan that is not usurious when made is lawful for the duration of the loan, provided the loan agreement is not substantially changed. This subsection does not apply to loan renewals."

1 Section 24--Section 31-1-241v MCAv is amended to read:
 2 "31-1-241v--(Effective July 1, 1983)--Finance--charge
 3 limitations--(1) Notwithstanding the provisions of any other
 4 law, the finance charge included in a retail installment
 5 contract shall not exceed the rate set pursuant to 31-1-107x
 6 following schedule:
 7 (a)--as to motor vehicles:
 8 (i)--class 1--any new motor vehicle designated by the
 9 manufacturer by a year model not earlier than the year in
 10 which the sale is made, \$7 per \$100 per year;
 11 (ii)--class 2--any new motor vehicle not in class 1 and
 12 any used motor vehicle designated by the manufacturer by a
 13 year model of the same or not more than 2 years prior to the
 14 year in which the sale is made, \$9 per \$100 per year;
 15 (iii)--class 3--any used motor vehicle not in class 2
 16 and designated by the manufacturer by a year model more than
 17 2 years prior to the year in which the sale is made, \$11 per
 18 \$100 per year;
 19 (b)--as to any industrial or construction equipment
 20 primarily designed for or used in construction, logging,
 21 mining or other industrial business, the price of which is
 22 over \$5,000, \$9 per \$100 per year. This subsection shall not
 23 apply to agricultural equipments.
 24 (c)--as to any manufactured structure or recreational
 25 vehicle, \$9 per \$100 per year.

1 (d)--as to services and goods other than as provided
 2 under subsections (1)(a), (1)(b) and (1)(c) above:
 3 (i)--on so much of the principal balance as does not
 4 exceed \$300, \$11 per \$100 per year;
 5 (ii)--if the principal balance exceeds \$300 but is less
 6 than \$1,000, \$9 per \$100 per year on that portion over \$300;
 7 (iii)--if the principal balance exceeds \$1,000, \$7 per
 8 \$100 per year on that portion over \$1,000.
 9 (2)--Such finance charge shall be computed on the
 10 principal balance as determined under 31-1-231(5) on
 11 contracts payable in successive monthly payments
 12 substantially equal in amount from the date of the contract
 13 until the maturity of the first installment notwithstanding
 14 that the total time balance thereof is required to be paid
 15 in installments. A minimum finance charge of \$20 may be
 16 charged on any retail installment contracts.
 17 (3)--When a retail installment contract provides for
 18 payment other than in equal successive monthly installments,
 19 the finance charge may be a rate which will provide the same
 20 yield as is permitted on monthly payment contracts under
 21 subsections (1) and (2) hereof, having due regard for the
 22 schedule of payments in the contract.
 23 (4)--Notwithstanding the provisions of any other law, a
 24 retail charge account agreement may provide for and the
 25 seller or holder may charge, collect, and receive a finance

1 charge as specified herein for the privilege of paying in
 2 installments thereunder. The finance charge may be computed
 3 from month to month (which need not be a calendar month) or
 4 other regular billing cycle period by applying a rate not to
 5 exceed 1 1/2% for each such monthly period to an amount (not
 6 including any unpaid finance charge) ~~the rate set pursuant~~
 7 ~~to 31-1-242 and by using the ending balance of the account~~
 8 ~~as of the last day of the billing cycle less the amount of~~
 9 ~~purchases charged to the account during that billing cycle~~
 10 (a) A seller may change the terms of a revolving
 11 charge account whether or not the change is authorized by
 12 prior agreement. The seller shall give the buyer written
 13 notice of any change in the two billing cycles prior to the
 14 effective date of the change.
 15 (b) If the retail seller increases his finance charge
 16 on a retail charge account agreement within the permitted
 17 ceiling amount, then such increased rate may only be applied
 18 to the balance consisting of purchases on other charges
 19 incurred on or after the effective date of the increase.
 20 (c) For purposes of determining the balance to which
 21 the increased rate applies, all payments may be considered
 22 to be applied to the balance existing prior to the change in
 23 rate until that balance is paid in full.
 24 (5) If the finance charge so determined pursuant to
 25 (4) above for such monthly period is less than 50 cents, a

1 maximum finance charge not in excess of ~~50 cents may be~~
 2 charged, received, and collected for such periods.
 3 Section 31-1-243 MCA is amended to read:
 4 "31-1-243 (Revived July 1, 1983) Refinancing--retail
 5 installment contracts--The holder of a contract upon
 6 request by the buyer may extend the scheduled due date of
 7 all or any part of any installment or installments or defer
 8 payment or payments or renew or restate the unpaid time
 9 balance of such contract, the amount of the installments,
 10 and the time schedule therefor and may collect for such
 11 extension, deferment, renewal, or restatement or refinance
 12 charges. The holder may compute the refinance charge on the
 13 unpaid time balance to be extended, deferred, renewed, or
 14 restated by adding to such unpaid time balance the cost for
 15 any insurance and other benefits incidental to the
 16 refinancing plus any accrued delinquency and collection
 17 charges after deducting any refund which may be due the
 18 buyer as for a prepayment pursuant to 31-1-242 at the rate
 19 of the finance charge specified in 31-1-241(1) and by
 20 reclassifying in the case of motor vehicles by its then-year
 21 model for the term of the refinancing agreement but
 22 otherwise subject to the provisions of this part governing
 23 computation of the original finance charges. The provisions
 24 of this part relating to minimum finance charges under
 25 31-1-241(2) shall not apply in calculating refinance charges

1 on the contract extended, deferred, renewed, or restated, if
 2 all unpaid installments are deferred for not more than 2
 3 months, the holder may at his election charge and collect
 4 for such deferment an amount equal to the difference between
 5 the refund required for prepayment in full under 31-1-242 as
 6 of the scheduled due date of the first deferred installment
 7 and the refund required for prepayment in full as of 1 month
 8 prior to said date, times the number of months in which no
 9 scheduled payment is made."

10 Section 4, Section 31-1-501, MCA, is amended to read:
 11 "31-1-501--Late payment charges---accounts receivable
 12 for---merchandise---sold---at---retail---(1)---Notwithstanding
 13 31-1-106 or 31-1-107, a person who sells goods as defined
 14 in 31-1-202, at retail to a retail buyer who promises to pay
 15 for such goods upon presentation of the bill, therefor, may
 16 charge and collect a late payment charge not greater than
 17 1 1/2% per month the rate set pursuant to 31-1-101 on all
 18 money due on all accounts from 30 days after the date on
 19 which the obligation of the buyer to pay is incurred.

20 (2)---The late payment charge provided in this section
 21 may be charged only if at the time the obligation was
 22 incurred the seller did not intend to extend any credit
 23 beyond 30 days and any late payment of the obligation was
 24 unintended.

25 (3)---The provisions of this section do not apply to

1 money due for intangible services, for services regulated by
 2 the public service commission, for real property, for health
 3 care services, or for retail installment sales contracts or
 4 retail charge account agreements regulated under Title 31,
 5 chapter 1, part 2."

6 Section 5, Section 32-1-436, MCA, is amended to read:
 7 "32-1-436--(Suspended until July 1, 1993) Interest not
 8 to exceed lawful rates--(1)---No bank or savings and loan
 9 association shall demand or receive for loans or discounts a
 10 rate of interest exceeding that allowed by law, excepting
 11 that it shall be lawful for any bank to receive interest in
 12 advance according to the ordinary usages of banking
 13 institutions.

14 (2)---On loans to be repaid in one or more deferred
 15 installments, other than loans for purchase of real estate,
 16 a bank or savings and loan association may charge not to
 17 exceed the following schedules:

18 (a)---on so much of the principal balance as does not
 19 exceed \$300, \$11 per \$100 per year;

20 (b)---if the principal balance exceeds \$300 but is less
 21 than \$1,000, \$9 per \$100 per year on that portion over \$300;

22 (c)---if the principal balance exceeds \$1,000, \$7 per
 23 \$100 per year on that portion over \$1,000.

24 (3) (2)---Such charges shall be computed on the principal
 25 balance on contracts payable in successive monthly payments.

1 substantially equal in amount from the date of the contract
2 until the maturity of the final installment notwithstanding
3 that the total balance thereof is required to be paid in
4 installments.

5 (4)(2) A minimum charge of \$20 may be made with
6 respect to any installment loan made by a bank or savings
7 and loan association.

8 (5)(1) When an installment loan contract provides for
9 payment other than in equal successive monthly installments,
10 the charge may be at a rate which will provide the same
11 yield as is permitted monthly payment contracts having due
12 regard for the schedule of payments in the contract.

13 Section 6 of Section 32-3-601, MCA, is amended to read
14 "32-3-601. (Revived July 1, 1983) Loans for purposes
15 terms and interest rates. A credit union may loan to
16 members for such purpose and upon such security and terms as
17 the credit committee, credit manager, or loan officer
18 approves at rates of interest not exceeding 1 1/4% per month
19 on the unpaid monthly balances. The rate set pursuant to
20 21-1-101."

21 NEW SECTION. Section 7. Severability. If a part of
22 this act is invalid, all valid parts that are severable from
23 the invalid part remain in effect. If a part of this act is
24 invalid in one or more of its applications, the part remains
25 in effect in all valid applications that are severable from

1 the invalid applications.

2 NEW SECTION. Section 2. Effective date. This act is
3 effective July 1, 1983.

-End-